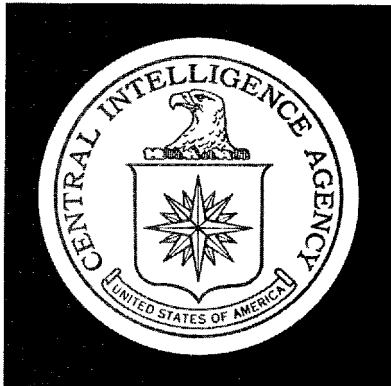


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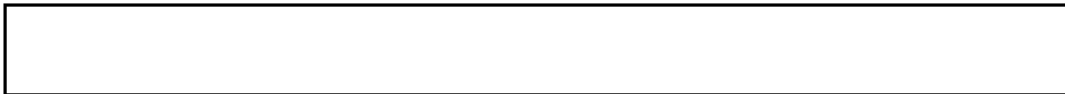
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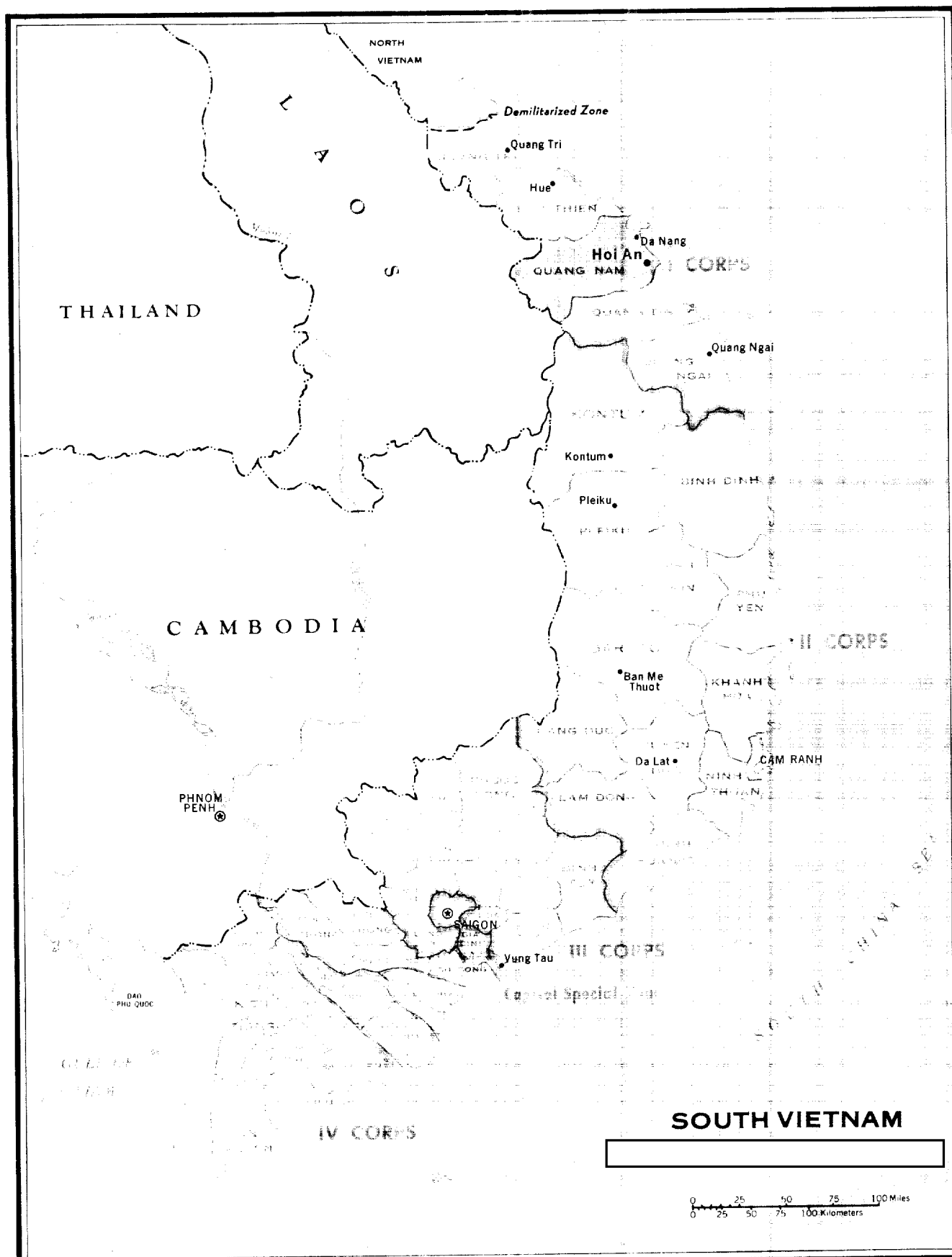


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[Vietnam: Hanoi is exhorting its populace to greater effort in support of the war.

This appears to have been the main pitch regime spokesmen made at a session of the North Vietnamese national assembly which Hanoi announced has recently taken place. Incomplete reports of the speeches before the session--the first in about two years--indicate that the regime is telling its people final victory is within their grasp if they will only mobilize sufficiently for one last push.

The major address to the body was apparently made by Premier Pham Van Dong. In addition to stressing the importance of added war effort, the Premier dealt in part with the Paris peace talks, predictably attempting to place the onus on the US for the lack of progress toward a settlement.

Press accounts of Dong's speech indicate that he took a very hard line on the issue of North Vietnamese reciprocity in exchange for a bombing halt. Hanoi spokesmen in Paris, however, subsequently were at pains to emphasize that the Premier's remarks did not convey any North Vietnamese intention to break off the discussions.

\* \* \* \*

Communist-initiated military activity tapered off throughout much of South Vietnam on 24 May, but there were new indications that the enemy hopes soon to step up hostilities.

The central highlands will probably be one major scene of upcoming Communist action.

Enemy attack plans in Quang Nam Province are also apparent. A captured document claims that the newly identified 36th Regiment will climax its current actions in the area with a series of attacks over the weekend on South Korean forces northwest ]

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[of Hoi An. Quang Nam has been the scene of considerable fighting lately, however, as allied forces have sought to counter Communist plans, and it is possible that the Communist timetable has been disrupted.

Meanwhile, there are added signs that Communist military strategy involves a large increase in firepower. Since the enemy first introduced large caliber rockets early last year, there has been a doubling of enemy battalion-size units using large caliber weapons. Some 26 enemy battalions are now so equipped.

During the first week in May, enemy units threw over 11,000 rounds of mortar, rocket, and artillery fire at allied units throughout the country. Although this does not represent a record for 1968, it does reflect a considerable increase over the average rate of fire employed countrywide by enemy units in 1967. [REDACTED]

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[France: De Gaulle's announcement of a referendum in June on a broad program of reform has not eased the immediate situation.

Opposition groups reacted negatively to De Gaulle's call to the people for a "mandate for renewal" in the social and educational sphere through a "massive vote" of confidence in his own leadership. All of France's major labor unions responded by urging strikers to step up their pressure on the government for immediate concessions. Statements by opposition party leaders, including Lecanuet of the moderate center group, indicated that they were extremely dissatisfied with De Gaulle's initiative. Reaction of students and university professors was summed up in a National Education Federation communiqué which condemned the referendum as "a subterfuge intended to camouflage before public opinion the impotence of this regime to resolve the fundamental problems which confront it."

Even as De Gaulle spoke the situation deteriorated. Clashes occurred between demonstrators and police in Paris and the large provincial cities, and student demonstrators set fire to France's stock exchange. Increased police harshness in dealing with students, and the government's decision to deal with workers before initiating talks with student leaders, could well lead to a spread of violence in the Latin Quarter. In the west of France a strike by farmers posed another serious problem of order.

Only if De Gaulle's general promises of reform are followed by concrete proposals during today's crucial negotiations between government, business, and labor leaders is the strike situation likely to improve. The student front remains extremely tense.

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Czechoslovakia-USSR: The Kosygin visit to Czechoslovakia is drawing to a close with only tentative indications that some initial steps were taken toward an accommodation.

Kosygin paid what seem to have been his farewell calls to Prague yesterday.

Czechoslovakia's reaffirmation of its intention to continue participation in Warsaw Pact activities may not have been as comprehensive as implied immediately after the visit of a Soviet military delegation led by Defense Minister Grechko from 17 to 22 May. Yesterday, Prague announced that "staff-command" Warsaw Pact exercises will be held in Czechoslovakia and Poland during June under the leadership of pact commander Soviet Marshal Yakubovsky. Although the use of the term "staff-command" to describe the exercises does not rule out participation of some troop units, it implies an exercise smaller in scope than Czechoslovak Defense Minister Dzur described on 21 May as "fair-sized maneuvers."

The pro-Soviet tone in the communiqué of the Czechoslovak party presidium sessions of 21-22 May suggests that the leaders in Prague have attempted at least to mollify Moscow. By stressing that the Communist Party will remain in effective control and that Prague will work to strengthen the "solidarity and unity" of the "international Communist movement," Prague seems to be giving verbal assurances on these points to the Soviet Union. The Soviets will probably reserve judgment, however, until they see how the Czechoslovaks perform on these and other key issues.

Czechoslovakia has moved to repair its relations with Poland. Prague in effect turned the other cheek on 23 May in response to a Polish protest alleging an anti-Polish campaign in the Czechoslovakian press, but it did not promise to impose any gags.

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The moderate tone of the Czechoslovak reply may have been prompted in part by the fact that Warsaw seems to be playing down recent tensions with Prague. The Poles are continuing to stress the hope that the liberalizing trend in Czechoslovakia will be kept within "socialist" bounds.

Foreign Minister Hajek, who visited Hungary between 22 and 25 May, also contributed by stressing in an interview that Prague's foreign policy is "unchanged," and that its ambition in the future is to strengthen cooperation among the socialist states. On the other hand, Hajek also suggested that Czechoslovakia will pursue a policy aimed at improving relations with non-Communist countries, including West Germany.

In discussing the recent criticisms of Czechoslovakia for tolerating "discordant voices," Hajek implied that Prague will not impose censorship on its news media.

Czechoslovak - East German polemics, however, are becoming more bitter. Yesterday, an East German paper described a recent Czechoslovak commentary as a "gross defamation" of the East Germans.

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Peru: The resignation of Finance Minister Morales-Bermudez is likely to increase Peru's economic problems and decrease public confidence in the government.

General Morales-Bermudez had pressed for new taxes and had imposed limits on purchases of new equipment by the armed forces. His inability to get cooperation from either the executive or the legislature was a major factor in his decision to resign. His departure from the cabinet probably will result in a larger fiscal deficit in 1968, which will further reduce business confidence in the economy, encourage the flight of capital, and add to pressures for another devaluation.

With congressional and presidential elections coming up next year, political parties already seem more interested in furthering their own positions than in dealing with Peru's serious basic problems.

The resignation of Morales-Bermudez, a retired general, will not displease all sectors of the military. Some military men may see his departure as evidence of Belaunde's reluctance to take measures necessary to solve Peru's problems. There are reports of military staff studies on problems facing Peru--a precaution often taken during times of uncertainty when the military believe they might ultimately have to assume power. The US Embassy estimates that the chances of Belaunde's finishing his term have been lessened but that the military will not use Morales-Bermudez' resignation as a pretext to take over the government now.

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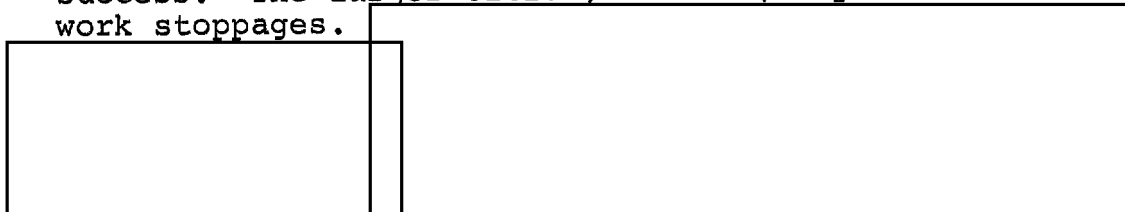
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West Germany: Student demonstrations planned for 27-29 May to protest the expected enactment of federal emergency legislation may produce some turmoil. West Berlin's Free University and Frankfurt University are to be the focal points for the demonstrations. Exhilarated by the successes of French students, German student radicals have been trying to get worker support but have had little success. The larger cities, however, may see some work stoppages.



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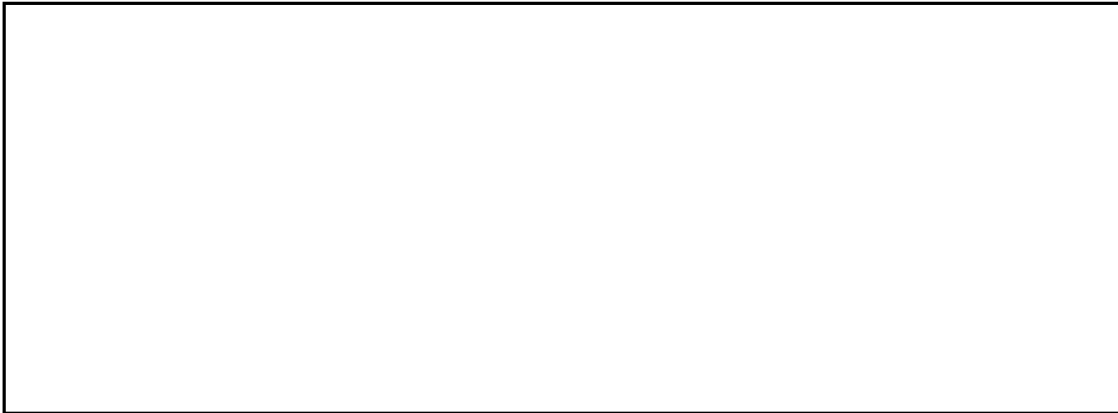
USSR: The Soviets are reportedly planning to display a 750-passenger model of the AN-22 at the June air show in Turin, Italy. The new version would probably be longer than the earlier cargo type and be able to carry troops or passengers on two levels. High-ranking Soviet military officers have claimed the AN-22 could lift an airborne battalion--about 400 combat-equipped troops--minus their heavy weapons. The 91-passenger AN-12 assault transport is the largest troop carrier presently in service with the Soviet Air Force.



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Haiti: President Duvalier apparently still plans to ask the UN Security Council to consider the exile invasion mounted against Haiti on 20 May. By bringing the matter before the UN, Duvalier may hope to embarrass the US, which he insists was somehow involved in the exiles' attempt, and to fore-stall future incursions.



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Uruguay: President Pacheco has refused to accept the resignation of his key economic adviser, Central Bank President Enrique Iglesias, who is being attacked in the Senate for his role in the recent peso devaluation. This refusal evinces the President's determination to continue his unpopular but necessary stabilization policies in spite of mounting labor and congressional opposition. The Senate is investigating the devaluation, and the Chamber of Deputies will renew its interpellation of Finance Minister Cesar Charlone on 27 May.

[REDACTED]

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South America: Argentina, Bolivia, Brazil, Paraguay, and Uruguay agreed on 20 May to establish an organization to develop the River Plate Basin. Plans have been announced for seven multinational and six national projects, including a hydroelectric plant at Salto Grande in Uruguay and a port on the Paraguay River for land-locked Bolivia. This port would provide an outlet to the Atlantic for the untapped deposits of iron and manganese ore believed to be in eastern Bolivia. If rabid nationalism can be subdued, this new cooperative arrangement may prove a useful step toward Latin American economic integration.

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